

## Message Text

LIMITED OFFICIAL USE

PAGE 01 OECD P 20561 01 OF 02 131946Z

67

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

L-03 /087 W

----- 128117

R 131933Z JUL 76

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 2874

LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 20561

E.O. 11652: N/A

TAGS: EFIN, OECD

SUBJECT: INVISIBLES COMMITTEE MEETING, JUNE 28-30,  
1976

REFS: (A) OECD 25034 OF SEPT 1975, (B) DAF/INV/76.19,  
(C) DAF/INV/76.22, (D) DAF/INV/76.23

1. SUMMARY: INVISIBLES COMMITTEE (IC) CONDUCTED 120TH REGULAR SESSION JUNE 28 AND 30, WITH SPECIAL SESSION ON INWARD DIRECT INVESTMENT (REPORTED SEPTTEL) HELD ON JUNE 29. US MEMBER IN CHAIR DUE TO ABSENCE OF FRENCH CHAIRMAN. IC BEGAN FOURTH EXAMINATION OF NORWEGIAN RESERVATION TO OECD CODE OF LIBERALIZATION OF CAPITAL MOVEMENTS (CMC) AND COMPLETED FOURTH EXAMINATION OF AUSTRIAN RESERVATIONS TO CMC. IC ALSO NOTED MAJOR BREAKTHROUGH WITH REGARD TO JAPANESE RESPONSE TO PROPOSALS MADE BY IC DURING INITIAL STAGE OF THIRD EXAMINATION OF JAPANESE RESERVATIONS TO CMC (SEPTEMBER, 1975). AS RESULT OF THESE RECOMMENDATIONS JAPAN HAS AGREED TO REMOVE SEVEN RESERVATIONS AND TO MODIFY TWO ADDITIONAL RESERVATIONS. IC ALSO NOTED REPORT BY BELGIAN MEMBER ON LEGAL INTERPRETATION OF ARTICLES 9 AND 10 OF CMC.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 20561 01 OF 02 131946Z

US MEMBER PROMISED TO FORWARD US LEGAL INTERPRETATION

OF THIS QUESTION TO IC BEFORE NEXT MEETING, NOW SCHEDULED FOR OCT. 6-8, 1976. END SUMMARY.

2. FOURTH EXAMINATION OF NORWEGIAN RESERVATIONS TO CMC: NORWEGIAN MEMBER (POLAND) WAS ACCOMPANIED BY EXCHANGE CONTROL EXPERT, MR. ARNE LIE, WHO EXPLAINED SITUATION OF NORWAY AS REGARDS ITS DESIRE TO MAINTAIN 24 EXISTING RESERVATIONS TO CMC (13 LIST A RES AND 11 LIST B). HE EMPHASIZED THAT ALTHOUGH NORWEGIAN BALANCE OF PAYMENTS SITUATION WAS EXPECTED TO CONTINUE TO IMPROVE, TIMING AND EXTENT OF IMPROVEMENT NOT CERTAIN. THUS, HIS AUTHORITIES BELIEVED IT TOO EARLY TO MAKE MAJOR REDUCTIONS IN NORWEGIAN RESTRICTIONS ON INTERNATIONAL CAPITAL FLOWS. HE BELIEVED THAT CHANGES IN RESTRICTIONS WOULD REQUIRE SEVERAL ADDITIONAL YEARS TO COMPLETE AND WOULD NEED TO BE RELATED TO SIZEABLE CHANGES WHICH WOULD HAVE TO BE MADE IN ENTIRE STRUCTURE OF NORWEGIAN ECONOMY. THESE CHANGES HAVE BEEN MADE NECESSARY BY FINANCIAL FLOWS WHICH WOULD OCCUR AS RESULT OF PETROLEUM SITUATION IN NORWAY. MODIFICATIONS IN CONTROLS OVER INTERNATIONAL TRANSACTIONS COULD NOT PRECEDE COMPLETION OF THOSE BROADER STRUCTURAL CHANGES. HE NOTED THAT WHILE PUBLIC SECTOR IS EXPECTED TO MOVE INTO SUBSTANTIAL SURPLUS IN ITS BALANCE OF PAYMENTS WITH REST OF WORLD, PRIVATE SECTOR WOULD CONTINUE IN DEFICIT. GOVERNMENT COMMITTEE IS LOOKING INTO QUESTION OF HOW LARGE PUBLIC SECTOR SURPLUS CAN BE CONVERTED INTO APPROPRIATE OVERSEAS ASSETS, AND WHETHER CONTROLS SHOULD BE LIFTED AND PUBLIC SECTOR SHOULD LEND FUNDS TO PRIVATE SECTOR IN ORDER TO SUPPORT GREATER INVESTMENT ABROAD BY THAT SECTOR. SEVERAL MEMBERS NOTED THAT QUESTION SOUNDED LIKE ONE OF DISTRIBUTION OF COLLECTIVELY OWNED FOREIGN EXCHANGE ASSETS. US MEMBER URGED NORWEGIAN EXPERT TO GIVE GREATEST POSSIBLE FREEDOM TO MARKET FORCES IN CHANNELING INVESTMENT OF NORWEGIAN SURPLUS, AND TO REFRAIN FROM RIGID SECTORAL CATEGORIZATION OF BALANCE OF PAYMENTS SURPLUSES AND DEFICITS. IC UNABLE TO REACH FINDING THAT NORWEGIANS SHOULD AT PRESENT TIME REMOVE ANY OF THEIR 24 EXISTING RESERVATIONS. HOWEVER, RATHER THAN SEND REPORT TO COUNCIL TO THIS EFFECT, IC DIRECTED SECRET-LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OECD P 20561 01 OF 02 131946Z

ARIAT TO PREPARE INTERIM AIDE MEMOIRE TO BE SENT TO NORWEGIAN AUTHORITIES. MEMOIRE WILL URGE SPECIAL NORWEGIAN COMMITTEE NOW REVIEWING THESE ISSUES TO RECOMMEND REMOVAL OR MODIFICATION OF A NUMBER OF RESTRICTIONS. HOPEFULLY NORWEGIAN AUTHORITIES WILL RESPOND TO AIDE MEMOIRE BY EARLY FALL SO THAT IC WILL BE ABLE CONTINUE FOURTH EXAMINATION AT THAT TIME WITH GREATER CHANCE OF POSITIVE RESULTS.

3. THIRD EXAMINATION OF JAPANESE RESERVATIONS TO CMC:  
AT ITS EARLIER CONSIDERATION OF PRESENT EXAMINATION  
(FALL, 1975) IC PREPARED STRONG REPORT SUGGESTING THAT  
LARGE NUMBER OF JAPANESE RESERVATIONS BE REMOVED OR

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OECD P 20561 02 OF 02 131945Z

67

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

L-03 /087 W

----- 128114

R 131933Z JUL 76

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 2875

LIMITED OFFICIAL USE SECTION 02 OF 02 OECD PARIS 20561

MODIFIED (REF A). IN DISCUSSIONS WITH JAPANESE EXPERTS  
CONCERNING THAT REPORT, LATTER HAD INDICATED THAT JAPAN  
MIGHT BE IN POSITION TO TAKE ACTION ON MANY IC RECOMMEN-  
DATIONS WITHIN NEXT SIX MONTHS, AND THAT IT WAS PREFER-  
ABLE NOT TO COMPLETE EXAMINATION UNTIL REVIEW OF SUCH  
ACTIONS HAD BEEN UNDERTAKEN. AS RESULT, IC POSPTONED  
FINAL PREPARATION OF REPORT TO COUNCIL WHICH WOULD HAVE  
RECOMMENDED REMOVAL OF LARGE NUMBER OF RESERVATIONS.  
AT PRESENT MEETING, JAPANESE EXPERT DESCRIBED TO IC LONG  
AND DIFFICULT NEGOTIATIONS WHICH HAD BEEN UNDERWAY WITH-  
IN JAPANESE GOVERNMENT AIMED AT MEETING IC RECOMMENDA-  
TIONS. MAJOR PROBLEM HAD BEEN TO CONVINCE OFFICIALS  
RESPONSIBLE FOR EXTENSIVE CONTROLS DATING BACK OVER LONG  
PERIODS OF TIME THAT NO HARM WOULD COME FROM AN EFFORT

TO LIFT OR MODIFY SOME OF THOSE CONTROLS. HE INDICATED THAT REPORT OF IC AND STATEMENTS BY NUMBER OF MEMBERS OF IC AT LAST MEETING HAD BEEN INVALUABLE IN CONVINCING THESE OFFICIALS TO TAKE CHANCE ON RELAXATION OF SOME RESTRICTIONS AND REMOVAL OF SEVERAL RESERVATIONS. IC COMMENDED JAPANESE EXPERTS FOR THEIR EFFORTS IN ACHIEVING REMOVAL OF SUBSTANTIAL NUMBER OF RESERVATIONS, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 20561 02 OF 02 131945Z

AND AGREED TO SEND FAIRLY LIMITED REPORT TO COUNCIL NOTING THE JAPANESE RESPONSE TO IC RECOMMENDATIONS, AND INCLUDING ANNEX I AND II OF REF B. US MEMBER QUESTIONED WORDING OF NEW MODIFICATION TO DIRECT INVESTMENT ITEM WHICH INDICATES INVESTMENT POSSIBLE WHERE "DULY APPROVED" BY ENTERPRISE CONCERNED. JAPANESE EXPERT INDICATED THAT IN TAKEOVER BID FINAL DECISION FOR FIRM WOULD BE MADE BY BOARD OF DIRECTORS OR GENERAL ASSEMBLY. IF EITHER APPROVED, CASE COULD GO FORWARD WITHOUT SUBSTANTIVE REVIEW BY GOVERNMENT. IF DISAPPROVED, CASE WOULD GO TO GOVERNMENT FOR REVIEW AND POSSIBLE REVERSAL IF LATTER THOUGHT TAKEOVER IN BEST JAPANESE INTERESTS. UK MEMBER QUESTIONED USE OF A "ONE DIRECTOR VETO" WHICH HE HAD HEARD WAS A POSSIBILITY. JAPANESE EXPERT INDICATED THERE IS NO BASIS IN COMPANY LAW FOR THIS BUT THAT IN PRACTICE BOARD ATTEMPTED TO REACH UNANIMOUS DECISIONS. IF SINGLE DIRECTOR REFUSED IN FACE OF STRONG FEELING AMONG REMAINDER, THAT DIRECTOR WOULD GENERALLY FIND IT NECESSARY TO CHANGE OPINION OR LEAVE THE BOARD. IN RESPONSE TO QUESTION JAPANESE EXPERT INDICATED THAT EVEN UNDER NEW WORDING, HE WOULD NOT EXPECT UNFRIENDLY TAKEOVERS TO OCCUR IN JAPAN THROUGH PURCHASE OF CONTROLLING SHARES IN MARKET OR THROUGH PUBLIC OFFER TO SHAREHOLDERS.

5. FOURTH EXAMINATION OF AUSTRIAN RESERVATIONS TO CMC: IC APPROVED REF C AFTER SHORT DISCUSSION IN WHICH SEVERAL MEMBERS EXPRESSED UNHAPPINESS THAT AUSTRIAN AUTHORITIES HAD NOT FOUND IT POSSIBLE TO MAKE MODIFICATIONS OR DELETIONS OF AUSTRIAN RESERVATIONS DURING THE PRESENT EXAMINATION. US MEMBER URGED THAT EFFORT BE MADE TO REVISE RESERVATION ON PURCHASE OF MUTUAL FUND SHARES TO SHOW THAT SUCH PURCHASES ARE LIBERALIZED IN CASES WHERE HOST GOVERNMENT SUPERVISORY AUTHORITIES EXERCISE ROUGHLY SAME REVIEW AS IN AUSTRIA. AUSTRIAN EXPERT AGREED TO WORK WITH SECRETARIAT IN EFFORT TO FIND WORDING WHICH COULD SO LIMIT THIS RESERVATION, SO AS TO REFLECT MORE ACCURATELY ACTUAL STATE OF LIBERALIZATION THIS ITEM.

6. LEGAL INTERPRETATION OF ARTICLES 9 AND 10 OF CMC:

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OECD P 20561 02 OF 02 131945Z

IC NOTED PAPER (REF D) SUBMITTED BY BELGIAN MEMBER ON THIS QUESTION AND URGED OTHER MEMBERS TO SUBMIT VIEWS SO THAT THOROUGH DISCUSSION COULD BE HELD AT NEXT MEETING. UK MEMBER INDICATED THAT ALTHOUGH HE DID NOT EXPECT MUCH TO COME OUT OF THE DISCUSSION ON THIS ISSUE, HE WOULD NOT OPPOSE FURTHER IC WORK ON IT, AND WOULD EXPECT TO SUBMIT UK LEGAL INTERPRETATION SHORTLY. US MEMBER INDICATED THAT US PAPER WAS IN PREPARATION AND U WOULD BE AVAILABLE IN TIME FOR FALL MEETING OF IC.  
KATZ

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COMMITTEE MEETINGS, MEETING REPORTS, INTERNATIONAL ORGANIZATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 JUL 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976OECDP20561  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760270-0121  
**From:** OECD PARIS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760764/aaaaceht.tel  
**Line Count:** 239  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** KelleyW0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 20 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <20 APR 2004 by CunninFX>; APPROVED <13 SEP 2004 by KelleyW0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INVISIBLES COMMITTEE MEETING, JUNE 28-30, 1976  
**TAGS:** EFIN, OECD  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006